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Roberts, Harold

What's the matter with labor?

[Stamford, Conn.]

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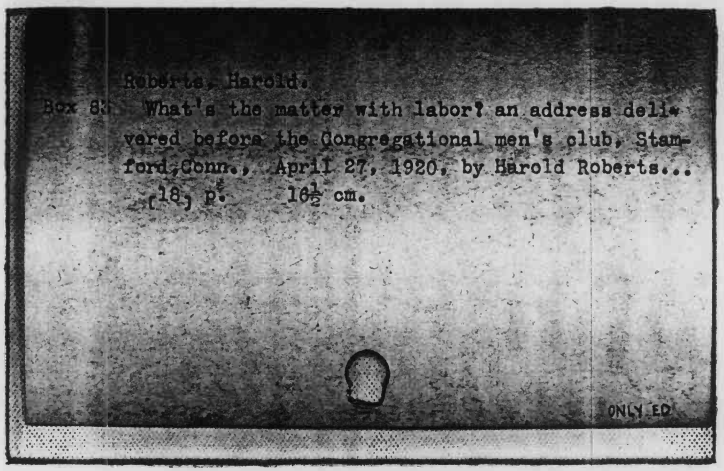
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WHAT'S THE MATTER WITH LABOR?

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By

HAROLD ROBERTS

WHAT'S THE MATTER WITH LABOR?

An address delivered before the Congregational Men's Club, Stamford, Conn., April 27, 1920.

By

HAROLD ROBERTS

Vice-President, North American Copper Co.

52 Vanderbilt Avenue, New York

WHAT'S THE MATTER WITH LABOR?

8 June 1920 Sun

There is, in our country today, a new conception of the problems of labor. We are seeing with clearer vision that the relations of labor and capital must be established on principles of fairness and sound economics. We realize the futility of patched-up armistices and shifty compromise. We long for the day when employee and employer will be held together by common interests, clearly understood and fairly administered.

We have been accustomed to think of labor as of boundless supply. The normal growth of our population, augmented by the steady influx from Southeastern Europe, has seemed to support our view that the problem would ever be one of finding sufficient employment for those desiring work. The Chinese exclusion act reflected labor's concurrence in this fear of surplus labor. It was not foreseen by either labor or capital that the time would come when there would not be enough labor to go around.

We say there is a shortage of labor. We mean there is a shortage of product. The decrease in per capita production causes the pinch. The deficiency checks back not so much to shorter hours as to slower motion. Unionism's practice of limiting per capita production is an economic mistake that must go into the discard. We can't speed up the sluggard. We ought not to slow down the active and efficient. Vain is the effort to average individual capability. Unfair is the deadening restraint imposed upon the quick and the able.

From the time that our civil war ended we have been in a state of transition from an agricultural nation to a great industrial nation. The relative proportions of these activities have been shifting. The gathering impulse to larger national industrialism was tremendously quickened by the great war. Enormous demands were made upon us for our manufactures, and we were soon faced by a shortage of labor.

When we finally joined the Allied Powers in the world's mightiest conflict, there was an immediate transfer of men from peaceful pursuits to the fighting lines. Production decreased, and there followed competition among employers to secure labor. They bid against one another, and wages were marked up and marked up. The costs of living mounted high, matching this all-around pyramiding of the costs of production. Wages doubled and trebled, and wage-earners vied with one another in the pomp and show of ridiculous expenditure. The decadence of thrift had set in. We were rapidly becoming a nation of wastrels. The blood of Coal Oil Johnny and Jubilee Juggins was in our veins.

These frequent wage increases have been of lasting benefit only to that very small proportion of labor that stuck to habits of thrift. If this extra money was spent for silk shirts, high priced cigars and other so-called luxuries of passing gratification, it served only to sow the seed of future discontent. When most workers who had been earning a fixed wage suddenly found themselves with a comfortable sum of extra money, they wondered what they could do with it—then they bought something that increased their living expenses and presently they were dissatisfied because they needed still more money to meet the expense of their new scale of living.

While the war lasted, men worked with an enthusiasm born of patriotic ardor and the spirit of battle. When it ended, the high wage scale continued and per capita production decreased. This meant a still further increase in the cost of the product, again followed by corresponding wage increases.

The Department of Labor is authority for the statement that since we entered the war, wages in the United States have advanced over 130 per cent. and production has declined one-third in the same period. Reduced to terms of dollars, production that cost $1.00 before the war now costs $3.45.

The New York State Industrial Commission says in its February bulletin:

> "Comparing the average weekly earnings for all *manufacturing industries* in the State of New York in February of the last six years, the 1920 average of $26.47 shows an increase of $4.40, or 20 per cent. over 1919, $8.81 or 50 per cent. over 1918, $11.16 or 73 per cent. over 1917, $12.70 or 92 per cent. over 1916, and $14.06 or 113 per cent. over 1915."

And now labor has become capricious, dissatisfied, and seemingly insatiable. Let us trace for a moment, if we may, back from these present effects to primal causes. Let us stop at

that day when Russia made an unwelcome addition to the world's vocabulary—when out of that Slavonic language there came a new word of sinister significance—Bolsheviki—meaning literally, "those who want more" but generally interpreted to mean the larger party—the majority. As a matter of fact of all the parties in Russia the Bolsheviki is the one party with the most complete contempt for a majority. In its origin the Bolsheviki was a wilful, irresponsible, terrifying minority.

This word has now become not only the caption of a political party but the slogan for a world movement. Its original meaning is already more or less obsolete. From time to time fresh details of definition have been added that sound new depths of degradation. Bolshevism's scope has been broadened to foreshadow the limits of horror, destruction, and chaos.

The fundamental idea of Bolshevism has been sensed throughout the world. It is expressing itself in the grim determination of majorities or larger groups to impose their will upon their peoples, without regard for the rights of minorities or smaller groups.

Our republic is based upon its constitution, and is subject to the provisions of that constitution upon majority rule. We have, in times past, been ready to follow the teachings of intelligent statesmanship and to rally our majorities around safe and patriotic leadership.

Now new doctrines of government, new demands for baleful class legislation, are receiving wide publicity. We are living in a new world, facing new conditions and immediately confronted by social and economic problems of grave and alarming character. I think of Bolshevism not as the name of a theory or form of Government, but as defining a growing and evil tendency in human nature. It is in the air. It is an evil spirit entering into the heart and mind of man. Bolshevism finds root in social unrest and discontent. It is a sequence of four years of waste and destruction—years in which the world has devoted much of its energy to tearing down all that was sacred and materially worth while. Insidiously this has carried with it a deadening of the spirit of thrift and a numbing of moral consciousness. It urges men to live for today with little thought of tomorrow, for it is impossible for us to witness the destruction of the fruits of the labors of others without having it borne home that it is not worth while to accumulate possessions that may share a similar fate.

A survey of these new potentialities for change is bewildering, but I may mention a single manifestation of present tendencies—the growing purpose of labor to force increasing wage scales with decreasing hours of work. This in itself is not Bolshevism, but it breeds coercive and ruthless measures that are the very essence of Bolshevism.

The material wealth of the world consists of the accumulated fruits of labor. It is the sum total of the surplus production of the centuries. It is the heritage of our own generation—a heritage of the surviving wealth and substance of all preceding generations. This wealth rep-

resents the massed efforts of every civilization to provide in excess of its own requirements for the benefit of those to come after. In the words of St. John, we may say that "other men labored, and we have entered into their labors."

Our world wealth reflects no stingy policy of production balanced to consumption, and it would not exist had mankind's studied purpose always been to secure the shortest hours of work and the highest rates of pay, the lowest production and the highest consumption.

During the war the world has been encroaching upon its reserves, and the margins on some commodities are now perilously close. The factors of safety have disappeared. For four years tens of millions of men were engaged in the destructive pursuits of war, and much of the producing power of the world, not so engaged, turned aside from its normal lines of work to produce materials for the warring groups. While this went on, our reserves of cotton and wool and hogs and grain and nearly every other commodity necessary for human welfare were largely absorbed.

I have referred to the decadence of thrift. I believe this is the most dangerous disease that is impairing labor today. Thrift combines hard work with keen management, forehandedness, and the desire for law and order to safeguard the fruits of thrift.

Bolshevism, with its train of crack-brained theories, wants a division of all existing wealth and a free ride as long as it lasts. It's a rosy, dazzling prospect for those whose mental processes have ceased to function. It takes little vision to see its finish—but just now labor is not long on vision, and is ready to follow the leader who promises flowery beds of ease.

How can we initiate a downward movement in the price of commodities without a concurrent and ratable revision downward of all the wage scales entering into the costs of all products? The question is baffling. The old inexorable law of supply and demand continues to operate. Demand is enormous and insistent, while supply is inadequate and not supported by a united and enthusiastic body of labor, determined—the world over—to conquer the shortage and restore reserves. Herein lies the gravity of the situation. Labor throughout the world is disposed to work fewer hours and at reduced speed. For a time we need longer hours, with the highest possible yield of product from every worker. This is not the day for any one who is able to work to rest on his laurels because he has served his country, or to rest because he has a bankroll that will stand for a time between him and the necessity for working.

Observations taken in the moving picture houses throughout the country show that the attendance afternoons is now composed of 70 per cent. males. Not long ago it was 90 per cent. women and children. The working man feels rich enough to buy leisure out of working hours—and thrift keeps on slipping.

It's work that's needed—intelligent work, productive work, a larger proportion of the world's population harnessed to produce. We

need more producers, fewer middlemen, less city population, and more people making our factories, farms, forests, fisheries, and mines yield their golden stores for the uses of man.

Labor at the moment is out of step. Its various branches are out of step with one another. Too impatient and too imperious to await settlement of its demands through calm negotiation, every branch, each for itself, calls its own strike. It's a dull day that doesn't see a new one added. When labor ceases to coordinate, the usual round of things is upset. When labor along the waterfront of New York goes on strike, the plans and efforts of vastly larger numbers are for the time of no avail. If the railroad men quit their jobs, the potato crop of Maine may rot in the ground, the wheat of our great Northwest fall ungarnered, and wasting cotton fleck the Southern winds.

The penalties of these broken relations fall on labor and capital alike—physical suffering for one, financial loss for the other.

We are reading much nowadays about the democratization of industry. How can we give practical meaning to this mooted democratization so that labor will not think it high-sounding bunk? Let us define it to mean the working out of actual mutuality between labor and capital —a partnership, if you please, between labor and capital, with a fair division of the profits. I believe heartily in profit-sharing plans, worked out to meet the conditions of every line employing large groups. Smaller industries and businesses will gradually fall in line and meet the situation. People stick together when they have a common interest, and they fall apart when it ceases to be common, mutual, and equitable.

In the metal companies with which I am connected we have found it desirable to use with our employees, both the profit sharing and the stockholding systems. We are now working out revised plans for our different companies that will provide for the application of both principles.

Many business men and leaders of industry for years have been trying out and feeling their way with profit-sharing plans. These schemes have embraced a wide variety of ideas and theories. Some have gone through the seasoning process, their soundness has been tested and they stand out today as notable successes —their success being proven by years of tranquillity with satisfied employees. We need not pass upon the practicality and fairness of many of these plans. The employees have done that.

Several months ago Mr. George W. Perkins delivered an address entitled "Profit Sharing, or the Wage Earner's Fair Share." This has been published in pamphlet form and is a very lucid statement of the subject. Mr. Perkins has been a student of these problems for many years, and his opinions are sensible and convincing.

I regret that time will not permit me to quote them at length. One of his conclusions I would have you remember. He says that "little real, substantial benefit comes from a profit-sharing

plan where the profits are paid out in cash, except perhaps where a man uses the money towards buying a home."

Another valuable contribution to the literature on this subject is John D. Rockefeller, Jr.'s, paper entitled "Labor and Capital—Partners," published in the *Atlantic Monthly* in January, 1916. This, in conjunction with his "Colorado Industrial Plan," is a serious study of labor problems, combined with an earnest effort to apply the remedy.

The National Civic Federation published in 1916 a substantial volume embracing more than one hundred profit sharing plans. A far more comprehensive work is now in preparation and will be issued in the next month or two. Every employer interested in this subject will find in this new book the results of thorough research. It gives the names of hundreds of individuals, firms and corporations who have adopted profit sharing systems, with these plans in detail. Efforts along these lines in England and France are included. Scores of plans that have been tried and abandoned are included. This book will be a reference work of almost universal knowledge on profit sharing in all its phases.

I will now ask your attention to several tested profit-sharing plans. I shall exclude bonus allotments and Christmas presents, however liberal, because these are not profit-sharing systems in the sense I would have you consider. Profit-sharing contemplates increased compensation, free from the suggestion of benevolence or gratuity. It puts up to labor its share of responsibility for making a business profitable. Labor that has a worthy spirit senses the beginning of its partnership with capital. There is the thrill of new obligation. The spirit of the time-server—the attitude of the humdrum worker by the day—disappears. This is replaced by the joyous sense of new opportunity—the chance to score for one's self.

A system for making the employees stockholders is not strictly an employees' profit-sharing plan, although that idea has been tried out more largely than any other scheme intended to promote better relations with labor. The United States Steel Corporation is the most conspicuous example of long and consistent effort on those lines. The Steel Company has done a lot of good, has fostered thrift, has benefited a very large number of employees, and deserves praise for all it has accomplished. Its system falls short of real profit-sharing, however, because much of the annual earnings are not paid out as dividends, so that in effect a large part of the profits remains in an enhanced value of the Company's property—an increment that is rather too intangible to catch and hold the "just now" spirit of labor.

We must admit, nevertheless, that the value of the stockholding plan was demonstrated in the recent strike at the Steel Company's mills. The stockholding employees generally remained loyal, stuck to their jobs, and kept the wheels turning until the strikers returned to work. The magnitude of this business, with mills in many parts of the country, and with its necessary reserves for depreciation and obsolescence

totaling vast sums annually, presents unusual problems that make it difficult to adopt direct profit-sharing plans. Let us recognize the fact that a fair measure of success has rewarded the sincere and patient efforts of the Company's managers in leading their employees along the paths of thrift to larger opportunity.

Some years ago a profit-sharing plan was applied in a Southern cotton-mill that has seemed to me to combine many admirable features. The plan provided that the capital employed should receive 8%, and that the surplus earnings for the year should then be equally divided between the owners, or capital, and the employees.

To illustrate:—if the cotton mill represented an investment of $1,000,000 and earned 20%, we would have earnings of $200,000. Eight per cent. deducted from that amount would leave $120,000. The employees would receive $60,000, divided among them in proportion to the number of dollars each had received as wages during the year. Capital would receive $60,000, bringing the total return on the investment up to 14%.

This plan makes for efficiency—for first-rate efficiency—with equity and mutuality holding labor and capital together. Can't you see how thrift and efficiency must go hand in hand under such an arrangement? A drone in the mill is there at the expense of the workers. If a dollar is wasted, labor is contributing its proportion. If economies can be introduced, labor benefits. If lost motion and clumsy processes can be eliminated, labor profits by the innovation. This system speeds up production, reduces the percentage of bad product, and develops good will. If it were put into general practice in the United States, it would make our country the most efficient in the world.

No claim for philanthropy is made for this plan. It is just good business, and I expect the results showed substantially increased earnings attributable to the interest and co-operative spirit that the profit-sharing plan developed in the employees.

The Procter & Gamble Company, of Ivorydale, Ohio, manufacturers of Ivory soap, have a profit-sharing plan that seems to me to be as good as their product. It is 99-44/100 per cent. sound, and after calming the turbulent stream of labor for thirty years, it still "floats." I hold in my hand the brochure in which this plan is fully detailed. It is so clearly worked out, so complete in all its details and provisions, that I am reluctant to attempt a synopsis. I may cite only the salient features. It is open to any employee, except salesmen and traveling representatives, whose salary or wages do not exceed two thousand dollars a year. For convenience in allotment the company divides its common shares into eighths. On application to the treasurer, the company purchases stock to the fractional amount most nearly equaling the amount of the applicant's annual salary or wages. The stock so purchased is held for his benefit by three trustees. The employee agrees to repay to the company in cash, during each year after the purchase

of the stock, not less than five per cent. of his wages, until it is fully paid for. Let us get the wisdom, the common sense, the admirable purpose of this provision before we go on to the beneficial provisions that follow. The employers say, in effect, to the employee:

"We want to help you, but you, too, must help. Our experience shows that if we try to do it all, we defeat our own ends. We seem to be giving something for nothing, and this stifles thrift, instead of vitalizing it."

When the employee has become a stockholder, not only does he receive the regular dividends on his stock, but he also participates in special profit-sharing dividends, starting at 10 per cent. for his first year, based on his annual wages, and increasing one per cent. annually for ten years, so that in the eleventh year of his participation he receives twenty per cent., and this percentage continues thereafter.

If you are interested in the Procter & Gamble plan I suggest that you obtain a copy of this booklet, for time prevents my giving you more than the broadest outline.

The A. W. Burritt Company, of Bridgeport, wholesale and retail dealers in lumber and manufactured woodwork, have had a profit-sharing system in effect for seventeen years, and have had no strikes during that time. Their plan is somewhat elaborate in its provisions and classifications, and I am unable to discuss it in detail in the time at my disposal. The proof of its merit is that it works—that it meets the needs of their business and satisfies labor conditions in their market.

The Endicott-Johnson Co., of Endicott, New York, announced a profit-sharing plan effective January, 1919, which is understood to be working very satisfactorily. This corporation manufactures shoes, with an annual turnover of $75,000,000. I quote the plan in the language of their announcement as follows:

> "Each year, after a 7 per cent. dividend has been paid on preferred stock, and 10 per cent. set apart on the common stock, balance of the profit, if any, shall be split 50-50, between the workers and the owners of the common stock. Every worker who has been in the employ of the company throughout the entire year will share and share alike; which means that the highest paid and the lowest paid worker, and all between, receives the same amount either in common stock or cash, at the option of the Directors. Division is made once a year."

From an issue of the E-J Workers Review—the house publication of Endicott-Johnson Co. I quote this paragraph written by one of their employees:

> "I am the average American workman. I am 75 per cent. efficient, 25 per cent. representing my wasted time and effort, is added to the cost of the manufactured article which I must buy.
>
> "I am a shoeworker working on a shoe, the labor cost of which should be $1.00 per pair. I must pay twenty-five cents more than this because I have wasted 25 per cent. of my time. I am going to stop this waste. When

I do my employer will be able to give me one-quarter more wages per week without charging one penny more per pair of shoes.

"I haven't any moral right to waste my time, you haven't any right to waste yours. We are both foolish to work in low gear for WE PAY THE BILL."

This worker shoots a bull's eye. When the conduct of the corporation is such as to get its employees thinking these thoughts, progress is being made in solving the problems of labor and capital.

Many concerns are striving to establish fair relations with labor. They may grope darkly, but they seek the light. Idealism must finally reach its goal.

The war has shown us that our country is sound at heart. We get together as an unconquerable unit when there is a common appeal. The bickerings and strife of labor and capital end when their relations interlock in full mutuality. Wherever there is a willing spirit to share with labor, the problems peculiar to each case are met and solved. Wherever there is an advance in promoting fairness in human relations, Justice smiles and her heart is glad.

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